**Earnings Release**

# ELBIT SYSTEMS REPORTS SECOND QUARTER 2004 RESULTS

***Revenues Increase To $231.6 million from $218.8 million in Second Quarter Last Year***
***Net Profit Increases To $11.3 million from $9.2 million in Second Quarter Last Year***
***Backlog of Orders Reaches a Record $1.9 billion***
***Extraordinary Dividend of $1.80 Per Share***

**Haifa, Israel, August 9, 2004 – Elbit Systems Ltd. (the "Company") (NASDAQ: ESLT)**, the international defense company, today reported its consolidated results for the quarter ended June 30, 2004.

**Consolidated revenues for the second quarter of 2004** increased 5.9% to $231.6 million from $218.8 million in the corresponding quarter in 2003.

**Consolidated revenues for the six month period ended June 30, 2004** increased 5.8% to $445.3 million from $420.9 million in the same period in 2003.

**Consolidated net income for the second quarter of 2004** was $11.3 million (4.9% of revenues) as compared with $9.2 million (4.2% of revenues) in the same period in 2003. Diluted earnings per share ("EPS") for the second quarter of 2004 was $0.28 as compared with $0.23 for the second quarter of 2003.

The Company's financial results were affected by the increase in the Company's share price during the reported periods, due to non-cash expenses related to the employees "phantom" option plan.

Excluding the phantom option plan non-cash expenses, net income in the second quarter of 2004 was $14.0 million (6.1% of revenues), and the diluted EPS was $0.34, as compared to net income of $13.3 million (6.1% of revenues) and diluted EPS of $0.33 in the second quarter of 2003.

**Consolidated net income for the first six months of 2004** was $24.0 million (5.4% of revenues), compared with $21.5 million (5.1% of revenues) for the same period in 2003.

**Diluted EPS for the six months ended June 30, 2004** was $0.59 compared with $0.54 for the corresponding period in 2003.

Excluding the phantom option plan non-cash expenses in 2004, net income for the six months ended June 30, 2004 was $27.0 million (6.1% of revenues), and diluted EPS was $0.66. For the six-month period ended June 30, 2003, net income was $26.6 million (6.3% of revenues) and diluted EPS was $0.66.

**Gross profit for the second quarter of 2004** was $58.5 million (25.3% of revenues), as compared with gross profit of $57.2 million (26.2% of revenues) in the second quarter of 2003.

Excluding non-cash expenses related to the Company's phantom option plan, gross profit in the quarter ended June 30, 2004 was $60.4 million, or 26.1% of revenues, as compared with $60.0 million, or 27.6% of revenues in the quarter ended June 30, 2003.

**Gross profit for the first six months of 2004** was $115.4 million (25.9% of revenues) as compared with $114.1 million (27.1% of revenues) in the same period of 2003.

Excluding non-cash expenses related to the Company's phantom option plan, gross profit for the six months ended June 30, 2003 was $117.5 million, or 26.4% of revenues, as compared with $117.7 million, or 28.0% of revenues in the six-month period ended June 30, 2003.

**Backlog of orders as of June 30, 2004** reached $1,906 million, as compared with $1,752 million at the end of 2003. 68% of the backlog relates to orders outside of Israel. Approximately 63% of the Company's backlog as of June 30, 2004, is scheduled to be performed over the next two quarters of 2004 and during the year 2005.

The President and CEO of Elbit Systems, Joseph Ackerman, commented: "The second quarter results reflect the continuation of improvement in our net profit that we saw in the first quarter, and a continued growth in revenues and backlog of orders. These results are evidence of the success of the strategy that we have taken, focusing on the development of our technological growth engines and on cooperation with other leading companies worldwide. We see the fruits of the significant investments made by the Company in these areas and anticipate this trend to continue".

The Board of Directors declared an extraordinary dividend of $1.80 per share. The record date of the dividend is September 7, 2004. The dividend will be paid on September 20, 2004, net of taxes and levies, at the rate of approximately 22%.

## Conference Call

Elbit Systems will host a conference call today, **Monday, August 9, 2004** at 10:30 AM ET. To take part in the conference call, please dial 1-866-860-9642 (U.S.), 0800-917-5108 (U.K.) or +972-3-918-0610 (International and Israel) a few minutes before 10:30 AM **ET.** For your convenience, **an instant replay will be available** starting at 12:30 PM ET the same day until Wednesday, August 11, 2004 at 12:30 PM ET. The replay telephone number is 1-866-276-1485 (U.S.), 0800 169 8104 (U.K.) or +972-3-925-5948 (International and Israel).

This call will also be broadcasted live on: **www.elbitsystems.com.** and an online replay will be available for 30 days.

**About Elbit Systems**

Elbit Systems Ltd. is an international defense electronics company engaged in a wide range of defense-related programs throughout the world, in the areas of aerospace, land and naval systems, command, control, communications, computers, intelligence, surveillance and reconnaissance ("C4ISR"), advanced electro-optic and space technologies. The Company focuses on the upgrading of existing military platforms and developing new technologies for defense and homeland security applications.

For more about Elbit Systems, please visit our website at www.elbitsystems.com

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# ELBIT SYSTEMS LTD.
## CONSOLIDATED BALANCE SHEETS
(In thousand of US Dollars)

| | June 30 2004 | December 31 2003 |
|---|---|---|
| | Unaudited | Audited |
| **Assets** | | |
| Current Assets: | | |
| Cash and short term deposits | 90,901 | 76,846 |
| Trade receivable and others | 227,079 | 251,644 |
| Inventories, net of advances | 241,868 | 249,225 |
| Total current assets | 559,848 | 577,715 |
| Affiliated Companies & other Investments | 39,379 | 38,223 |
| Long-term receivables & others | 78,987 | 78,565 |
| Fixed Assets, net | 237,204 | 229,221 |
| Other assets, net | 96,620 | 100,012 |
| | 1,012,038 | 1,023,736 |
| **Liabilities and Shareholder's Equity** | | |
| Current liabilities | 358,671 | 378,731 |
| Long-term liabilities | 171,419 | 188,811 |
| Minority Interest | 3,972 | 4,115 |
| Shareholder's equity | 477,976 | 452,079 |
| | 1,012,038 | 1,023,736 |

**ELBIT SYSTEMS LTD.**

**CONSOLIDATED STATEMENTS OF INCOME**

(In thousand of US Dollars, except for per share amounts)

| | Six Months Ended June 30 | | Three Months Ended June | | Year Ended December 31 |
|---|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 | 2003 |
| | Unaudited | | Unaudited | | Audited |
| Revenues | 445,317 | 420,948 | 231,645 | 218,758 | 897,980 |
| Cost of revenues | 329,879 | 306,804 | 173,127 | 161,405 | 673,561 |
| Gross Profit | 115,438 | 114,144 | 58,518 | 57,353 | 224,419 |
| Research and development, net | 27,121 | 28,448 | 13,857 | 13,586 | 54,919 |
| Marketing and selling | 35,444 | 35,123 | 19,035 | 19,095 | 69,943 |
| General and administrative | 23,204 | 22,889 | 11,791 | 11,938 | 46,077 |
| Total operating expenses | 85,769 | 86,500 | 44,683 | 44,619 | 170,939 |
| Operating income | 29,669 | 27,644 | 13,835 | 12,734 | 53,480 |
| Financial expenses, net | (1,301) | (3,306) | (822) | (2,030) | (4,870) |
| Other income, net | (84) | 91 | (299) | (18) | 903 |
| Income before income taxes | 28,284 | 24,429 | 12,714 | 10,686 | 49,513 |
| Taxes on income | 7,401 | 6,602 | 3,207 | 2,956 | 11,334 |
| | 20,883 | 17,827 | 9,507 | 7,730 | 38,179 |
| Company's share of partnerships and affiliated Companies income, net | 2,969 | 2,949 | 1,612 | 1,048 | 7,209 |
| Minority rights | 187 | 690 | 193 | 433 | 557 |
| Net income | 24,039 | 21,466 | 11,312 | 9,211 | 45,945 |
| Earnings per share | | | | | |
| Basic net earnings per share | $ 0.61 | $ 0.55 | $0.28 | $ 0.24 | $ 1.18 |
| Diluted net earnings per share | $ 0.59 | $ 0.54 | $ 0.28 | $ 0.23 | $ 1.14 |